

Message Text

LIMITED OFFICIAL USE

PAGE 01 MANILA 09362 01 OF 02 170806Z

ACTION TRSE-00

INFO OCT-01 EA-07 ISO-00 NEA-10 IO-13 AID-05 CIAE-00

COME-00 EB-07 FRB-03 INR-07 NSAE-00 USIA-06

XMB-02 OPIC-03 SP-02 LAB-04 EPG-02 SIL-01 OMB-01

NSC-05 SS-15 STR-04 CEA-01 L-03 H-01 PA-01 PRS-01

ABF-01 /106 W

-----170811Z 109282 /15

P 170730Z JUN 77

FM AMEMBASSY MANILA

TO SECSTATE WASHDC PRIORITY 1253

LIMITED OFFICIAL USE SECTION 1 OF 2 MANILA 9362

USADB

FOR NAC AGENCIES

E.O. 11652: ADS, DECLAS 6/17/68

TAGS: EAID, EFIN

SUBJECT: REVIEW OF STAFF RETIREMENT PLAN

BEGIN SUMMARY: WHEN IMPROVEMENTS IN ADB STAFF RETIREMENT PLAN WERE LAST CONSIDERED BY BOARD OF DIRECTORS IN 1974, A SUBSEQUENT COMPREHENSIVE STUDY OF PLAN BY SUITABLE FIRM OF CONSULTING ACTUARIES/PENSION CONSULTANTS WAS CONSIDERED APPROPRIATE. IN APRIL 1975, BANK'S PENSION COMMITTEE APPROVED APPOINTMENT OF AN ACTUARY TO CARRY OUT COMPREHENSIVE STUDY OF BANK'S PLAN. BANK HAS ISSUED PAPER WHICH REVIEWS THREE REPORTS PRESENTED BY ACTUARY AND PRESENTS PROPOSALS ON CERTAIN IMPROVEMENTS OF PLAN FOR BOARD'S CONSIDERATION. NAC GUIDANCE IS REQUESTED. END SUMMARY.

1. IN APRIL 1975, ADB PENSION COMMITTEE APPROVED APPOINTMENT OF NEW YORK FIRM OF GEORGE B. BUCK CONSULTING ACTUARIES, INC. TO: (A) CONDUCT ACTUARIAL VALUATION
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 MANILA 09362 01 OF 02 170806Z

OF ADB'S STAFF RETIREMENT PLAN AS OF DECEMBER 31, 1974;
(B) MAKE COMPARATIVE STUDY OF PLAN IN RELATION TO THOSE OF IBRD, IMF, IDB, AND UN; AND (C) MAKE STUDY OF POSSIBLE IMPROVEMENTS IN BENEFITS OF BANK'S PLAN AND RELATED COST AND FUNDING IMPLICATIONS.

2. ACTUARIAL VALUATION REPORT DATED MAY 5, 1976 AND

SUBMITTED TO PENSION COMMITTEE CONCLUDED THAT: (A) CONTINUATION OF CURRENT CONTRIBUTION RATES (I.E., 9-1/3 PERCENT OF REMUNERATION FROM PARTICIPANTS AND 18-2/3 PERCENT OF REMUNERATION FROM BANK, OR COMBINED CONTRIBUTION RATE OF 28 PERCENT OF REMUNERATION) WOULD IN LONG RUN PRODUCE OVER-FUNDING OF PLAN; AND (B) COMBINED CONTRIBUTION RATE OF 19.11 PERCENT OF REMUNERATION WOULD BE SUFFICIENT TO COVER EXISTING BENEFITS UNDER PLAN.

3. ACTUARY'S COMPARATIVE STUDY OF BANK'S PLAN IN RELATION TO THOSE OF OTHER INTERNATIONAL ORGANIZATIONS NOTED SIGNIFICANT DIFFERENCE BETWEEN BENEFITS AND CONTRIBUTION UNDER BANK'S PLAN AND THOSE OF THE OTHER INTERNATIONAL ORGANIZATIONS. IT CONCLUDED THAT, AS RATES OF CONTRIBUTION CURRENTLY BEING PAID WERE MORE THAN SUFFICIENT TO SUPPORT PRESENT BENEFIT STRUCTURE, BANK MANAGEMENT WOULD WANT TO CONSIDER POSSIBLE BENEFIT IMPROVEMENTS. PENSION COMMITTEE FELT THAT THIS WOULD BE PREFERABLE TO REDUCTION OF CONTRIBUTIONS TO PLAN PARTICULARLY SINCE BANK'S BENEFITS ARE GENERALLY LESS FAVORABLE THAN THOSE OF OTHER ORGANIZATIONS EXAMINED BY THE ACTUARY, WHICH COULD MAKE IT DIFFICULT FOR BANK TO ATTRACT AND RETAIN WELL QUALIFIED AND EXPERIENCED STAFF. ALSO, EXISTING CONTRIBUTION RATES TO BANK'S PLAN ARE BELOW THOSE IN THE OTHER ORGANIZATIONS EXCEPT IDB.

4. LAST PART OF ACTUARY'S ASSIGNMENT COVERED ADVANTAGES AND DISADVANTAGES OF VARIOUS IMPROVEMENTS AND IDENTIFIED AND RECOMMENDED LIST OF NINE SPECIFIC BENEFIT IMPROVEMENTS FOR LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 MANILA 09362 01 OF 02 170806Z

MENTS FOR BANK'S CONSIDERATION, OF WHICH ACTUARY SUGGESTED FOLLOWING FIVE RECOMMENDATIONS FOR IMMEDIATE CONSIDERATION WHILE POSTPONING CONSIDERATION OF OTHER CHANGES UNTIL RESULTS OF NEXT ACTUARIAL VALUATION HAVE BEEN COMPLETED:

(A) INCREASE RATE OF NORMAL RETIREMENT PENSION FROM 2 TO 2.5 PERCENT OF HIGHEST AVERAGE NET REMUNERATION (HAR) FOR EACH YEAR OF ELIGIBLE SERVICE, SUBJECT TO EXISTING MAXIMUM PENSION OF 80 PERCENT OF THE HAR (COMPARED WITH 2.5 TO 3.2 PERCENT FOR IBRD, IMF AND UN);

(B) REDUCE BASE PERIOD FOR COMPUTING HAR FROM 5 TO 3 YEARS;

(C) INCREASE COST-OF-LIVING ADJUSTMENTS TO PENSIONS FROM 3 PERCENT A YEAR, SIMPLE, TO 3 PERCENT A YEAR, COMPOUNDED ANNUALLY;

(D) INCREASE MINIMUM DISABILITY PENSION FROM 33-1/3 PERCENT TO 50 PERCENT OF HAR; AND

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 MANILA 09362 02 OF 02 170818Z
ACTION TRSE-00

INFO OCT-01 EA-07 ISO-00 NEA-10 IO-13 AID-05 CIAE-00
COME-00 EB-07 FRB-03 INR-07 NSAE-00 USIA-06
XMB-02 OPIC-03 SP-02 LAB-04 EPG-02 SIL-01 OMB-01
NSC-05 SS-15 STR-04 CEA-01 L-03 H-01 PA-01 PRS-01
ABF-01 /106 W

-----170823Z 109471 /15

P 170730Z JUN 77

FM AMEMBASSY MANILA
TO SECSTATE WASHDC PRIORITY 1254

LIMITED OFFICIAL USE SECTION 2 OF 2 MANILA 9362

USADB

FOR NAC AGENCIES

(E) DOUBLE CHILDREN'S BENEFITS BY APPLYING SAME PERCENT-
AGES AS AT PRESENT TO APPLICABLE PARTICIPANT'S PENSION
INSTEAD OF SPOUSES'S PENSION.

5. CUMULATIVE COST OF PLAN IN EFFECT ON DECEMBER 31,
1974 (VALUATION DATE), WAS 19.11 PERCENT OF PAYROLL.
IMPROVEMENTS PROPOSED BY ACTUARY WOULD INCREASE CUMULA-
TIVE COST TO 25.87 PERCENT OF PAYROLL AND WOULD LEAVE A
SAFETY MARGIN OF 2.13 PERCENT OF COMBINED CONTRIBUTION
RATE OF 28 PERCENT.

6. IN ADDITION TO ABOVE FIVE IMPROVEMENTS, IN VIEW
ACTUARIAL SURPLUS WHICH IS EXPECTED TO ARISE FROM
CONTINUATION OF EXISTING CONTRIBUTION RATES, BANK
MANAGEMENT PROPOSES TO EFFECT FOLLOWING ADIITIONAL
IMPROVEMENTS TO PLAN:

(A) TO APPLY ADDITIONAL WITHDRAWAL BENEFIT
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 MANILA 09362 02 OF 02 170818Z

FORMULA FOR PARTICIPANTS WITH MORE THAN 5 BUT LESS THAN 10 YEARS SERVICE TO PARTICIPANT'S ACCUMULATED CONTRIBUTIONS AT DATE ON WHICH HE CEASES TO BE PARTICIPANT, RATHER THAN END OF MONTH PRECEDING MONTH IN WHICH HE CEASES TO BE PARTICIPANT;

(B) TO ADOPT LUMP-SUM REMARRIAGE BENEFIT EQUAL TO GREATER OF TWICE ANNUAL PENSION BEING PAID, OR BALANCE OF PARTICIPANT'S ACCUMULATED CONTRIBUTIONS (TO ENCOURAGE BENEFICIARY TO REPORT HER REMARRIAGE);

(C) TO ALLOW PARTICIPANTS ELIGIBLE FOR PENSION, OR DEFERRED PENSION, TO OPT FOR WITHDRAWAL BENEFITS BEFORE PENSION BECOMES EFFECTIVE, REGARDLESS OF AGE OR LENGTH OF SERVICE; AND

(D) TO RAISE AGE LIMIT FOR PAYMENT OF CHILDREN'S BENEFITS TO 24 YEARS (TO MAKE AGE LIMIT UNIFORM WITH OTHER CHILDREN'S BENEFITS).

7. ADDITIONAL CHANGES PROPOSED IN PARA. 6 ABOVE WOULD INCREASE CUMULATIVE COST OF BENEFITS TO 25.95 PERCENT OF PAYROLL AND WOULD REDUCE SAFETY MARGIN TO 2.05 PERCENT.

8. SINCE ACTUARIAL VALUATION ON WHICH PROPOSED IMPROVEMENTS ARE BASED IS AS OF DECEMBER 31, 1974, ADB MANAGEMENT ALSO PROPOSES THAT IMPROVEMENTS REFERRED TO IN PARAS. 4 AND 6 ABOVE SHOULD BE IMPLEMENTED EFFECTIVE JANUARY 1, 1975. IT IS ALSO PROPOSED THAT:

(A) NEW PENSION RATE OF 2.5 PERCENT PER YEAR OF ELIGIBLE SERVICE SHOULD APPLY TO SERVICE RENDERED BY EXISTING PARTICIPANTS BEFORE EFFECTIVE DATE:

(B) PENSIONS IN FORCE AS OF EFFECTIVE DATE SHOULD BE RE-CALCULATED ON BASIS OF NEW RATES APPLICABLE LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 MANILA 09362 02 OF 02 170818Z

AND PAID ACCORDINGLY AS FROM THAT DATE PROVIDED, HOWEVER, THAT NEW HIGHEST AVERAGE REMUNERATION OF 3 YEARS IS NOT APPLICABLE TO PENSIONS PRIOR TO EFFECTIVE DATE; AND

(C) NEW COST-OF-LIVING ADJUSTMENTS SHOULD BE PAID AS FROM JANUARY 1976 FOR ELIGIBLE PENSIONS WHICH WERE EFFECTIVE JANUARY 1, 1974; FOR ALL OTHER ELIGIBLE PENSIONS EFFECTIVE AFTER LATTER DATE, PAYMENT SHOULD COMMENCE TWO YEARS AFTER DATE OF FIRST PAYMENT OF BASIC PENSION.

9. APPLICATION OF NEW BENEFITS TO EXISTING PENSIONERS
WILL INVOLVE ADDITIONAL COST OF 0.18 PERCENT OF PAYROLL,
WHICH, IN EFFECT WOULD REDUCE SAFETY MARGIN TO 1.87 PER-
CENT OF PAYROLL. ACTUARY INDICATED HE WOULD CONSIDER
SUCH SAFETY MARGIN AS ACCEPTABLE BUT THAT BIGGER MARGIN
WOULD OBVIOUSLY PROVIDE MORE SAFETY.

10. USADB COMMENT: IN VIEW ACTUARY'S CONCLUSION THAT
RATES OF CONTRIBUTION CURRENTLY BEING PAID ARE MORE
THAN SUFFICIENT TO SUPPORT PRESENT BENEFIT STRUCTURE,
SOME IMPROVEMENT IN BENEFITS APPEARS JUSTIFIED IN ORDER
TO BRING ADB'S BENEFITS MORE IN LINE WITH THOSE OF
COMPARABLE INTERNATIONAL INSTITUTIONS. MANAGEMENT'S
DECISION TO RECOMMEND ADOPTION OF SEVERAL CHANGES HAVING
COST IMPLICATION BEYOND THOSE RECOMMENDED AT THIS TIME
BY ACTUARY ARE DUE TO PRESSURE BEING PUT ON MANAGEMENT
BY STAFF MEMBERS OF PENSION COMMITTEE. USADB WOULD BE
INCLINED TO GENERALLY SUPPORT ACTUARY'S PROPOSAL.
USADB QUESTIONS LOGIC OF IMPLEMENTING IMPROVEMENTS USING
JANUARY 1, 1975 AS EFFECTIVE DATE.

11. ADB DOC. R60-77 ON ABOVE SUBJECT WAS POUCHED JUNE
16 AND WILL BE CONSIDERED BY BOARD OF DIRECTORS IN EARLY
JULY. NAC GUIDANCE IS REQUESTED.
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 MANILA 09362 02 OF 02 170818Z

STULL

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: RETIREMENT, POLICIES
Control Number: n/a
Copy: SINGLE
Sent Date: 17-Jun-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977MANILA09362
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770216-0790
Format: TEL
From: MANILA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770646/aaaabnwd.tel
Line Count: 256
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 1404fc7a-c288-dd11-92da-001cc4696bcc
Office: ACTION TRSE
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 23-Feb-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2114010
Secure: OPEN
Status: NATIVE
Subject: REVIEW OF STAFF RETIREMENT PLAN BEGIN SUMMARY: WHEN IMPROVEMENTS IN ADB STAFF RETIREMENT PLAN WERE LAST CONSIDERED BY BOARD OF DIRECTORS IN
TAGS: EAID, EFIN, AORG, ADB
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/1404fc7a-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009